

**ANNUAL FINANCIAL REPORT**  
**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**FOR THE YEAR ENDED**  
**DECEMBER 31, 2013**

**ERICKSEN KRENTEL & LAPORTE L.L.P.**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of the  
Norco Area Volunteer Fire Department, Inc.  
P.O. Box 321  
Norco, Louisiana 70079

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and each major fund of Norco Area Volunteer Fire Department, Inc., as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Norco Area Volunteer Fire Department, Inc.'s basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the *Louisiana Governmental Audit Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Norco Area Volunteer Fire Department, Inc.

June 18, 2014

Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Norco Area Volunteer Fire Department, Inc., as of December 31, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 5 to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2014, on our consideration of Norco Area Volunteer Fire Department, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Norco Area Volunteer Fire Department, Inc.'s internal control over financial reporting and compliance.

June 18, 2014  
New Orleans, Louisiana



Certified Public Accountants

## **REQUIRED SUPPLEMENTARY INFORMATION**

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NORCO, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

This section of the Norco Area Volunteer Fire Department (the Fire Department) annual financial report presents management's analysis of the Fire Department's financial performance for the year ended December 31, 2013. This analysis should be read in conjunction with the audited financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

1. The Fire Department's net position increased by \$10,498.
2. The general revenues of the Fire Department were \$434,188.
3. The total expenses of the Fire Department were \$423,690.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This report consists of two sections: Management's Discussion and Analysis and audited financial statements. The financial statements also include notes that provide additional detail of the information included in the financial statements.

**BASIC FINANCIAL STATEMENTS**

The financial statements of the Fire Department report information about the Fire Department using accounting methods similar to those used by private companies. These financial statements provide financial information about the activities of the Fire Department.

The Statement of Net Position presents information that includes all of the Fire Department's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Fire Department as a whole is improving or deteriorating.

The Statement of Revenues, Expenditures and Changes in Fund Balance and the Statement of Activities presents information on how the Fire Department's net position changed as a result of current period operations.

The following presents condensed financial information of the Fire Department.

**SUMMARY OF NET POSITION**  
**AS OF DECEMBER 31, 2013 AND 2012**

	<b><u>ASSETS</u></b>	
	December 31, <u>2013</u>	December 31, <u>2012</u>
Current assets	\$ 463,489	\$ 425,116
Capital assets, net of accumulated depreciation	<u>1,169,914</u>	<u>1,243,803</u>
Total assets	<u><u>\$ 1,633,403</u></u>	<u><u>\$ 1,668,919</u></u>



**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NORCO, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

	<u><b>LIABILITIES</b></u>	
	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Current liabilities	\$ 191,430	\$ 126,955
Long-term liabilities	<u>344,000</u>	<u>454,489</u>
Total liabilities	<u>535,430</u>	<u>581,444</u>
 <u><b>NET POSITION</b></u>		
Net investment in capital assets	691,133	682,888
Restricted for fire protection	<u>406,840</u>	<u>404,587</u>
Total net position	<u>\$ 1,097,973</u>	<u>\$ 1,087,475</u>

Total assets decreased by \$35,516 (2%). This decrease was primarily due to capital asset disposals made during the year.

Total liabilities decreased by \$46,014(8%) primarily due to principal payments on debt and capital lease obligations.

Total net position increased by \$10,498 (1%) as a result of operations.

**SUMMARY OF REVENUES, EXPENDITURES/EXPENSES  
AND CHANGES IN NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
General revenues	\$ 434,188	\$ 455,636
Expenditures/ expenses	<u>(423,690)</u>	<u>(386,488)</u>
Change in net position	<u>\$ 10,498</u>	<u>\$ 69,148</u>
Ending net position	<u>\$ 1,097,973</u>	<u>\$ 1,087,475</u>

The change in net position decreased by \$58,650 (85%). This is a result of an increase in firefighting expenditures and a decrease in sales tax revenue.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NORCO, LOUISIANA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**  
**AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2013**

**CAPITAL ASSETS**

Following is a schedule of capital assets, net of accumulated depreciation:

	<u>December 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
Land	\$ 99,287	\$ 99,287
Buildings and improvements	1,055,311	1,048,644
Construction in progress	66,428	-
Equipment	1,393,998	1,373,399
Vehicles	<u>1,774,779</u>	<u>1,771,637</u>
 Total	 4,389,803	 4,292,967
Less: accumulated depreciation	<u>(3,219,889)</u>	<u>(3,049,164)</u>
 Total capital assets, net of accumulated depreciation	 <u>\$ 1,169,914</u>	 <u>\$ 1,243,803</u>

The major additions to capital assets during 2013 consisted of equipment purchases and construction in progress for renovations to Station #5 netted with disposals of various fire-fighting equipment.

**LONG-TERM DEBT**

At December 31, 2013, the Fire Department had \$456,207 in long-term debt which consisted of two promissory notes each secured by a fire truck and a capital lease secured by Motorola radios.

**CONTACTING THE FIRE DEPARTMENT'S MANAGEMENT**

This report is designed to provide a general overview of the Fire Department and to demonstrate the Fire Department's accountability for its finances. If you have any questions about this report or need additional information, please contact Kenny Wenning, Norco Area Volunteer Fire Department, P.O. Box 321, Norco, Louisiana 70079.



## **BASIC FINANCIAL STATEMENTS**

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

**ASSETS:**

Cash	\$ 400,240
Due from Parish	21,428
Prepaid expenses	41,821
Capital assets, net of accumulated depreciation	<u>1,169,914</u>
 Total assets	 <u>1,633,403</u>

**LIABILITIES:**

Accounts payable	56,649
Accrued interest payable	22,574
Note payable and capital lease obligations:	
Due within one year	112,207
Due after one year	<u>344,000</u>
 Total liabilities	 <u>535,430</u>

**NET POSITION:**

Net investment in capital assets	691,133
Restricted for fire protection	<u>406,840</u>
 Total net position	 <u><u>\$ 1,097,973</u></u>

**The accompanying notes are an integral part of this statement**

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**FUNCTIONS/PROGRAMS****GOVERNMENTAL ACTIVITIES:**

Public safety - fire protection	\$ 423,690
	<u>423,690</u>
Total expenses	<u>423,690</u>
Net (expense) from governmental activities	<u>(423,690)</u>

**GENERAL REVENUES:**

Sales tax - 1/8 cent	221,692
Ad valorem tax	187,800
Fire insurance rebate	20,696
Other revenues	<u>4,000</u>
Total general revenues	<u>434,188</u>
Change in net position	10,498
Net position - beginning, as restated	<u>1,087,475</u>
Net position - ending	<u><u>\$ 1,097,973</u></u>

**The accompanying notes are an integral part of this statement**

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**BALANCE SHEET**  
**DECEMBER 31, 2013**

**ASSETS**

Cash	\$ 400,240
Due from Parish	21,428
Prepaid expenses	<u>41,821</u>
 Total assets	 <u><u>\$ 463,489</u></u>

**LIABILITIES AND FUND BALANCE**

**LIABILITIES:**

Accounts payable	<u>\$ 56,649</u>
 Total liabilities	 <u>56,649</u>

**FUND BALANCE:**

Nonspendable: prepaid expenses	41,821
Restricted for fire protection	<u>365,019</u>
 Total fund balance	 <u>406,840</u>
 Total liabilities and fund balance	 <u><u>\$ 463,489</u></u>

**The accompanying notes are an integral part of this statement**

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**DECEMBER 31, 2013**

Fund balance - total governmental fund	\$	406,840
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Amounts reported for governmental activities in the Statement of Net Position  
are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		1,169,914
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Long term liabilities are not due and payable in the current period and,  
therefore are not reported in the governmental funds. Interest on  
long-term debt is not accrued in governmental funds, but rather  
is recognized as an expenditure when due. All liabilities (both current  
and long term) are reported in the Statement of Net Position.

Accrued interest payable		(22,574)
Notes payable		<u>(456,207)</u>

Net position of governmental activities	\$	<u><u>1,097,973</u></u>
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**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**REVENUES:**

Sales tax - 1/8 cent	\$ 221,692
Ad valorem tax	187,800
Fire insurance rebate	20,696
Other revenues	<u>4,000</u>
Total revenues	<u>434,188</u>

**EXPENDITURES:**

## Current for fire protection:

## Utilities:

Electricity	8,311
Gas	714
Telephone	8,740
Water	1,573

## Equipment:

Maintenance	44,110
Fuel	6,634
Insurance	20,481

## Buildings:

Insurance	14,936
Maintenance	16,142

## Personnel:

Training	5,953
Insurance	9,561

## Firefighting expenditures:

Fire fighting supplies	14,678
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## Miscellaneous:

Accounting and auditing	4,800
Salaries	15,808
Payroll taxes	1,298
Office expenses	553
Meetings and other	13,134
Dues and subscriptions	<u>2,554</u>

Total current expenditures	189,980
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## Capital outlays:

Equipment purchases, building additions and land purchases	120,673
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## Debt repayment:

Debt retirement	104,708
Interest expense	<u>37,103</u>

Total debt repayment expenditures	<u>141,811</u>
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Total expenditures	<u>452,464</u>
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Net change in fund balance	(18,276)
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<b>FUND BALANCE, BEGINNING OF YEAR</b>	<u>425,116</u>
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<b>FUND BALANCE, END OF YEAR</b>	<u><u>\$ 406,840</u></u>
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**The accompanying notes are an integral part of this statement**

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Net change in fund balance - governmental fund	\$	(18,276)
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Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$120,673 was exceeded by depreciation expense of \$194,562 in the current period.		(73,889)
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Repayments of note principal and capital lease obligations are reported as financing uses in governmental funds and thus contribute to the reduction in fund balance. In the Statement of Net Position, however, repayment of debt decreases the long-term liabilities and does not affect the statement of activities.		104,708
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Under the modified accrual basis of accounting used in the governmental funds, interest on long-term debt is not recognized until due, rather than as it accrues.		(2,045)
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Change in net position of governmental activities	\$	<u>10,498</u>
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**The accompanying notes are an integral part of this statement**



**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting Entity**

The Norco Area Volunteer Fire Department, Inc. (Fire Department) receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Fire Department is a "primary government" and is not included as a component unit of any other St. Charles Parish governmental "reporting entity" as defined in GASB pronouncements, since the entity is a non-profit corporation, and the board members have decision making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. The Fire Department includes all activities that are controlled by it as a quasi-public non-profit corporation organized to provide fire protection to the Parish of St. Charles. The Fire Department has no component units.

The accounting and reporting policies of the Fire Department conform to generally accepted accounting principles as applicable to governmental units.

**Basis of Presentation**

The Fire Department's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the Fire Department are discussed below.

The accompanying basic financial statements have been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, issued in June 1999, as amended by GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*.

**Basic Financial Statements - Government-Wide Financial Statements (GWFS)**

The Fire Department's basic financial statements include both government-wide (reporting the Fire Department as a whole) and fund financial statements (reporting the Fire Department's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business type. The Fire Department's fire protection activities and related general administrative services are classified as governmental activities. The Fire Department does not have any business-type activities.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basic Financial Statements - Government-Wide Financial Statements (GWFS)**  
**(continued)**

The government-wide Statement of Net Position (Exhibit A) is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations. The Fire Department's net position is reported in two parts – net investment in capital assets and restricted for fire protection.

The government-wide Statement of Activities (Exhibit B) reports both gross and net cost of the Fire Department's function. The function is supported by general government revenues (1/8 cent sales tax and ad valorem tax). The Fire Department does not receive related program revenues and operating grants which would reduce gross expenses in the Statement of Activities.

This government-wide focus is on the sustainability of the Fire Department as an entity and the change in the Fire Department's net position resulting from current year's activities.

**Basic Financial Statements – Fund Financial Statements (FFS)**

The financial transactions of the Fire Department are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures. The Fire Department's current operations require the use of only the following fund type:

**Governmental Fund:**

The focus of the governmental fund's measurement (in the fund statement) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. In general, fund balance represents the accumulated expendable resources, which may be used to finance future operations of the Fire Department.

**General Fund**

The General Fund is the principal fund of the Fire Department and is used to account for the operations of the Fire Department. General revenues are accounted for in this fund. General operating expenditures are paid from this fund.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The governmental activities in the government-wide financial are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year end. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

The Fire Department records are maintained on the cash basis of accounting. However, the General Fund reported in the accompanying financial statements has been converted to a modified accrual basis of accounting utilizing the following practices in recording revenues and expenditures:

Revenues

Sales taxes are recorded in the month the taxes are collected by the St. Charles Parish School Board. Sales taxes become payable to the St. Charles Parish School Board on the first day of the month and become delinquent on the 20th day of the month following incurrence of the taxes by businesses.

An ad valorem issue is dedicated to the operations of the nine volunteer fire departments in St. Charles Parish. The tax millage expires in 2020. Each department is to receive one ninth of annual collections. Taxes levied in November each year are available for expenditures in the subsequent year.

Interest income on investments is recorded when the investments have matured and income is available.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2013

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (continued)**

Revenues (continued)

All other revenues are recorded when received.

The majority of the Fire Department's revenues are derived from the one-eighth of one percent sales tax and the ad valorem tax for operations.

Expenditures

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

**Cash**

The Fire Department is authorized under state law to deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, and the laws of the United States. The Fire Department may also invest in time certificates of deposit with state banks organized under Louisiana law and national banks having their principal offices in Louisiana. Under state law, these deposits must be secured by the fiscal agent bank. The market value of such pledged securities and federal deposit insurance must equal or exceed the amount on deposit with the fiscal agent.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the Department or its agent, in the Department's name.

Category 2 includes deposits covered by collateral held by the pledging financial institution's trust department, or its agent in the Department's name.

Category 3 includes deposits covered by collateral held by the pledging financial institution, or its trust department or agent but not in the Department's name, and deposits which are uninsured or uncollateralized.

At December 31, 2013, the carrying amount and the bank balances of deposits of the primary government are summarized as follows:

	<u>Bank Balances Category</u>			<u>Bank</u>
	<u>1</u>	<u>2</u>	<u>3</u>	<u>Balance</u>
Cash	<u>\$ 250,000</u>	<u>\$ -</u>	<u>\$ 150,932</u>	<u>\$ 400,932</u>

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Budgets and Budgetary Accounting**

The Fire Department was not required to prepare a budget for the year ended December 31, 2013.

**Capital Assets**

Capital assets are capitalized at historical cost or estimated cost if historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Fire Department maintains a threshold level of \$1,000 or more for recording capital assets. Additions, improvement and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Capital assets are recorded in the Statement of Net Position and depreciation is recorded in the Statement of Activities. Since surplus assets are sold for an immaterial amount or scrapped when declared as no longer needed for public purposes, no salvage value is taken into consideration for depreciation purposes. All capital assets are depreciated using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Computer and communications equipment	5 years
Equipment	5 years
Other vehicles	5 years
Fire trucks	10 years
Fire stations and other buildings	15 - 20 years

In the fund financial statements, fixed assets are accounted for as capital outlay expenditures of the fund upon acquisition.

**Equity Classifications**

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Equity Classifications (continued)**

- b. Restricted net position - consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

Governmental fund equity is classified as fund balance. In the governmental fund financial statements, fund balances are classified as follows:

- a. Nonspendable - amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.
- b. Restricted - amounts that can be spent only for specific purposes because of state, local or federal awards or externally imposed conditions by grantors or creditors.
- c. Committed - amounts that can be used for specific purposes determined by formal action by an ordinance or resolution.
- d. Assigned - amounts that are designated by the formal action of the government's highest level of decision making authority.
- e. Unassigned - amounts not included in other classifications.

The Board of Directors, as the highest level of decision-making authority, can establish, modify or rescind a fund balance commitment. For assigned fund balance the Board of Directors authorizes management to assign amounts for a specific purpose.

When both restricted and unrestricted fund balances are available for use, it is the Board of Directors' policy to use restricted resources first, then unrestricted as needed. When committed, assigned or unassigned fund balances are available for use it is the Board of Director's policy to use committed resources first, then assigned resources and unassigned resources as they are needed.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2013

**(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**Date of Management Review**

Management has evaluated subsequent events through June 18, 2014 the date which the financial statements were available to be issued.

**(2) SALES TAX REVENUE**

Effective March 1, 1980, sales tax in the amount of one-eighth of one percent is collected by the St. Charles Parish School Board and administered by the Parish President. The sales tax is to be used for fire protection of the Parish of St. Charles. The funds are distributed monthly by the Parish President to the individual fire departments of the St. Charles Parish Firemen's Association, Inc. For December 31, 2013, the sales tax is distributed on the following basis:

	<u>Monthly Basis</u>	<u>Remaining Funds 1/1/13-12/31/13</u>
Bayou Gauche Volunteer Fire Dept., Inc.	\$ 2,500	3.78 %
Des Allemands Volunteer Fire Dept., Inc.	\$ 2,500	4.10 %
East Side St. Charles Volunteer Fire Dept., Inc.	\$ 2,500	22.72 %
Hahnville Volunteer Fire Dept., Inc.	\$ 2,500	7.00 %
Killona Volunteer Fire Dept., Inc.	\$ 2,500	1.47 %
Luling Volunteer Fire Dept., Inc.	\$ 2,500	30.85 %
Norco Area Volunteer Fire Dept., Inc.	\$ 2,500	9.81 %
Paradis Volunteer Fire Dept., Inc.	\$ 2,500	4.93 %
St. Rose Volunteer Fire Dept., Inc.	\$ 2,500	15.34 %

**(3) DUE FROM PARISH**

Revenue receivable at December 31, 2013 consists of the Fire Department's share of the 1/8th cent sales tax for the month of November 2013, collected on or before December 20, 2013, respectively, by the St. Charles Parish School Board and remitted by St. Charles Parish in January 2014. Also included in revenue receivable at December 31, 2013 is a correction to the June 2013 sales tax collection remittance, collected on or before July 20, 2013, of \$6,216.

An allowance for uncollectible receivables is not recorded by the Fire Department because it considers all receivables collectible at December 31, 2013.



**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

**(4) CAPITAL ASSETS**

	Balance 1/1/13	Additions 2013	Retirements 2013	Balance 12/31/13
Fire protection vehicles	\$ 1,771,637	\$ 3,142	\$ -	\$ 1,774,779
Equipment	1,373,399	44,436	(23,837)	1,393,998
Buildings	1,048,644	6,667	-	1,055,311
Construction in progress	-	66,428	-	66,428
Land	99,287	-	-	99,287
	<u>4,292,967</u>	<u>120,673</u>	<u>(23,837)</u>	<u>4,389,803</u>
Less: accumulated depreciation	<u>(3,049,164)</u>	<u>(194,562)</u>	<u>23,837</u>	<u>(3,219,889)</u>
Total capital assets, net	<u>\$ 1,243,803</u>	<u>\$ (73,889)</u>	<u>\$ -</u>	<u>\$ 1,169,914</u>

Depreciation expense for the year ended December 31, 2013 was \$194,562. Fire protection vehicles and equipment includes \$818,321 of vehicles and radios under capital lease. Accumulated depreciation on leased assets for the year ended December 31, 2013 was \$387,196.

**(5) LONG-TERM DEBT**

	Balance 1/1/13	Additions	Reductions	Balance at 12/31/13	Due Within One Year
Promissory note with First National Bank USA, interest rate is 7% with principal and interest due in 10 annual installments, maturing on March 16, 2020, secured by fire truck.	\$ 346,268	\$ -	\$ 31,722	\$ 314,546	\$ 35,772
Promissory note with First National Bank USA, interest rate is at the Wall Street Journal Prime Index, currently 3.25% with principal and interest due in 10 annual installments, maturing on September 21, 2016, secured by fire truck.	60,029	-	24,065	35,964	24,941
	<u>\$ 406,297</u>	<u>\$ -</u>	<u>\$ 55,787</u>	<u>\$ 350,510</u>	<u>\$ 60,713</u>

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
DECEMBER 31, 2013

**(5) LONG-TERM DEBT (CONTINUED)**

Following is a summary of future principal and interest requirements for long-term debt:

<u>Year</u> <u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	60,713	24,044	84,757
2015	49,381	20,635	70,016
2016	41,131	17,523	58,654
2017	44,105	14,550	58,655
2018	47,293	11,362	58,655
2019 and thereafter	<u>107,887</u>	<u>12,219</u>	<u>120,106</u>
	<u>\$ 350,510</u>	<u>\$ 100,333</u>	<u>\$ 450,843</u>

Interest costs incurred and expensed for the year ended December 31, 2013 was \$39,148.

**(6) CAPITAL LEASE**

	<u>Balance</u> <u>1/1/13</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance at</u> <u>12/31/13</u>	<u>Due Within</u> <u>One Year</u>
Capital lease with Motorola Solutions, interest rate is 5.26% With principal and interest due in 3 annual installments, maturing on April 1, 2015, secured by Motorola radios.	<u>\$ 154,618</u>	<u>\$ -</u>	<u>\$ 48,921</u>	<u>\$ 105,697</u>	<u>\$ 51,494</u>

The Fire Department records items under capital leases as an asset and an obligation in the accompanying financial statements. On April 1, 2012, the Fire Department entered into a capital lease agreement for the purchase of radios for a three year term at an annual interest rate of 5.26%.

The following is a schedule of future minimum lease payments under capital lease, together with the present value of the net minimum lease payments, as of December 31, 2013:

<u>Fiscal Year</u>	<u>Equipment</u>
2014	\$ 57,054
2015	<u>57,054</u>
Total minimum lease payments	114,108
Less: amounts representing interest	<u>(8,411)</u>
Present value of net minimum lease payments	<u>\$ 105,697</u>

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

**(7) RISK MANAGEMENT**

The Fire Department is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; injuries to firemen; and natural disasters. The Fire Department carries commercial insurance in amounts sufficient to insure itself against claims resulting from any of those risks.

**(8) CONSTRUCTION COMMITMENT**

On April 17, 2013, the Fire Department entered into a \$151,837 contract with a contractor for renovations and additions to Station No. 5. As of December 31, 2013, \$56,649 is completed to date and \$95,188 is the remaining contract commitment.

**(9) NEW ACCOUNTING PRONOUNCEMENTS**

The GASB has issued Statement No. 61, "The Financial Reporting Entity: Omnibus; an amendment of GASB Statements No. 14 and No. 34." This Statement modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, the display of component units (blending vs. discrete presentation, and certain disclosure requirements. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2012. This Statement did not have a material effect on the Fire Department's financial statements upon implementation.

The GASB has issued Statement No. 65, "Items Previously Reported as Assets and Liabilities." This Statement specifies the items that were previously reported as assets and liabilities that should now be reported as deferred outflows of resources, deferred inflows of resources, outflows of resources, or inflows of resources. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. This statement did not have a material effect on the Fire Department's financial statements upon implementation.

The GASB has issued Statement No. 66, "Technical Corrections – 2012; an amendment of GASB Statements No. 10 and No. 62." The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2012. This statement did not have a material effect on the Fire Department's financial statements upon implementation.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**DECEMBER 31, 2013**

**(10) PRIOR PERIOD ADJUSTMENT**

During the year, it was discovered that a Motorola contract for \$154,618 was not reflected in the Statement of Net Position or Statement of Activities as of December 31, 2012. As a result of this restatement, beginning net position decreased by \$20,616, which is the amount of depreciation expense incurred on the capital lease for the year ended December 31, 2013.

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J.V. LECLERE KRENTEL - DECEASED

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors of the  
Norco Area Volunteer Fire Department, Inc.  
P.O. Box 321  
Norco, Louisiana 70079

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Norco Area Volunteer Fire Department, Inc. as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Norco Area Volunteer Fire Department, Inc.'s basic financial statements and have issued our report thereon dated June 18, 2014.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Norco Area Volunteer Fire Department, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Norco Area Volunteer Fire Department, Inc. internal control. Accordingly, we do not express an opinion on the effectiveness of Norco Area Volunteer Fire Department, Inc.'s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented,

To the Board of Directors of the  
Norco Area Volunteer Fire Department, Inc.  
June 18, 2014

or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2013-002 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Norco Area Volunteer Fire Department, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Norco Area Volunteer Fire Department, Inc.'s Response to Findings**

Norco Area Volunteer Fire Department, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Norco Area Volunteer Fire Department, Inc.'s response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

June 18, 2014  
New Orleans, Louisiana



Certified Public Accountants



**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**SECTION I SUMMARY OF AUDITORS' REPORTS**

1. The auditors' report expresses an unmodified opinion on the financial statements of Norco Area Volunteer Fire Department, Inc.
2. One material weakness and one significant deficiency disclosed during the audit of the financial statements are reported in the Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Prepared in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Norco Area Volunteer Fire Department, Inc., were reported in the Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
4. No management letter was issued for the year ended December 31, 2013.

**SECTION II FINANCIAL STATEMENT FINDINGS**

**2013-001 Segregation of Duties**

Criteria: Safeguarding of assets requires adequate segregation of duties in an effective internal control structure. No one person should have access to both physical assets and the related accounting records or to all phases of a transaction.

Condition: Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives regarding cash receipts and disbursements.

Effect: Intentional or unintentional errors could be made and not be detected.

Cause: The Department is small and therefore it is not feasible to maintain an adequate segregation of duties among accounting personnel.

Recommendation: The Board of Directors should remain involved in the day-to-day financial affairs of the Department to provide oversight and an independent review of functions. The bookkeeper should not be an authorized check signer and should not have access to cash receipts. Instead, someone independent of the bookkeeper should prepare a list of checks received and should make bank deposits. The list would be given to the bookkeeper for general ledger recording.

Management's Response: Management agrees with the recommendation; however, because of the small number of personnel in the Department it is not possible to remove the bookkeeper from the depositing and check signing responsibilities. The Board of Directors, however, will continue to monitor and review all financial transactions of the Department.



**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

2013-002 Bank Reconciliations

Criteria: A cash reconciliation that reconciles the bank balance to the general ledger balance should be prepared to determine that all cash transactions have been recorded properly.

Condition: Our evaluation of the internal control structure revealed that during 2013 bank reconciliations were prepared however they did not reconcile to the trial balance.

Effect: Intentional or unintentional errors could be made and not be detected in a timely manner.

Cause: Failure to properly reconcile the check register to the bank statement.

Recommendation: Management should remind accounting personnel of the importance of preparing bank reconciliations and making sure it reconciles to the trial balance. If it is not possible to prepare the reconciliations, the Fire Department should consider hiring a third party to prepare the reconciliations.

Management's Response: Management agrees with the recommendation. If the situation cannot be improved internally, a third party will be retained to record transactions and prepare the bank reconciliations.

**NORCO AREA VOLUNTEER FIRE DEPARTMENT, INC.**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**SECTION I INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE  
FINANCIAL STATEMENTS**

**2012-001 Segregation of Duties**

Our evaluation of the internal control structure revealed an absence of appropriate segregation of duties consistent with appropriate control objectives relative to cash receipts and disbursements.

The Department is small, and it was determined not to be feasible to maintain adequate segregation of duties. This issue remains unresolved.